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Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday August 28, 1976 CI NIDC 76-203C

State Department review completed

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday August 28, 1976.

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

25X1

EGYPT-LIBYA: Military Preparations	Page 1
LEBANON: Situation Report	Page 2
FRANCE: New Cabinet Named	Page 5
IRELAND: State of Emergency	Page 6

25X1

USSR-SYRIA-LEBANON: Call for Withdrawal	Page 9
SPAIN: Austerity Measures Announced	Page 9
CORRECTION	Page 10

25X1

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25X1

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EGYPT-LIBYA: Military Preparations

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[redacted] //Egypt is continuing its military preparations on the Libyan border, and// Tripoli's media have begun preparing the Libyan people for the possibility of an Egyptian attack.

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[redacted] the Egyptians have begun to move main ground force units to the border. On Thursday, the US ambassador saw 10 Egyptian tanks on rail cars headed west from Alexandria.

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[redacted] Cairo is also continuing its efforts to intimidate Libyan President Qadhafi. Egyptian Foreign Minister Fahmi said in an interview yesterday that he considers that "Qadhafi's presence on the Arab map is undesirable."

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[REDACTED] Recent Tripoli newspaper editorials have emphasized the danger that war with Egypt is imminent. Editorialists cite as their evidence the Egyptian buildup on the border, President Sadat's rejection of all mediation attempts during the non-aligned summit, and the alleged upsurge in Egyptian subversion attempts in Libya. Libyan authorities this week arrested three Egyptians who they say were sent to collect intelligence and conduct sabotage.

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[REDACTED] One editorial has suggested that all of the approximately 250,000 Egyptians working in Libya will be expelled in the event of an Egyptian attack, and [REDACTED]

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[REDACTED] Qadhafi recently asked ministry heads to study the probable impact on their departments if Egyptian functionaries are removed.

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[REDACTED] It is unlikely that all Egyptian workers would be sent home, but the Libyans might be considering the expulsion of a symbolic number, to serve as a warning to Egypt.

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LEBANON: Situation Report

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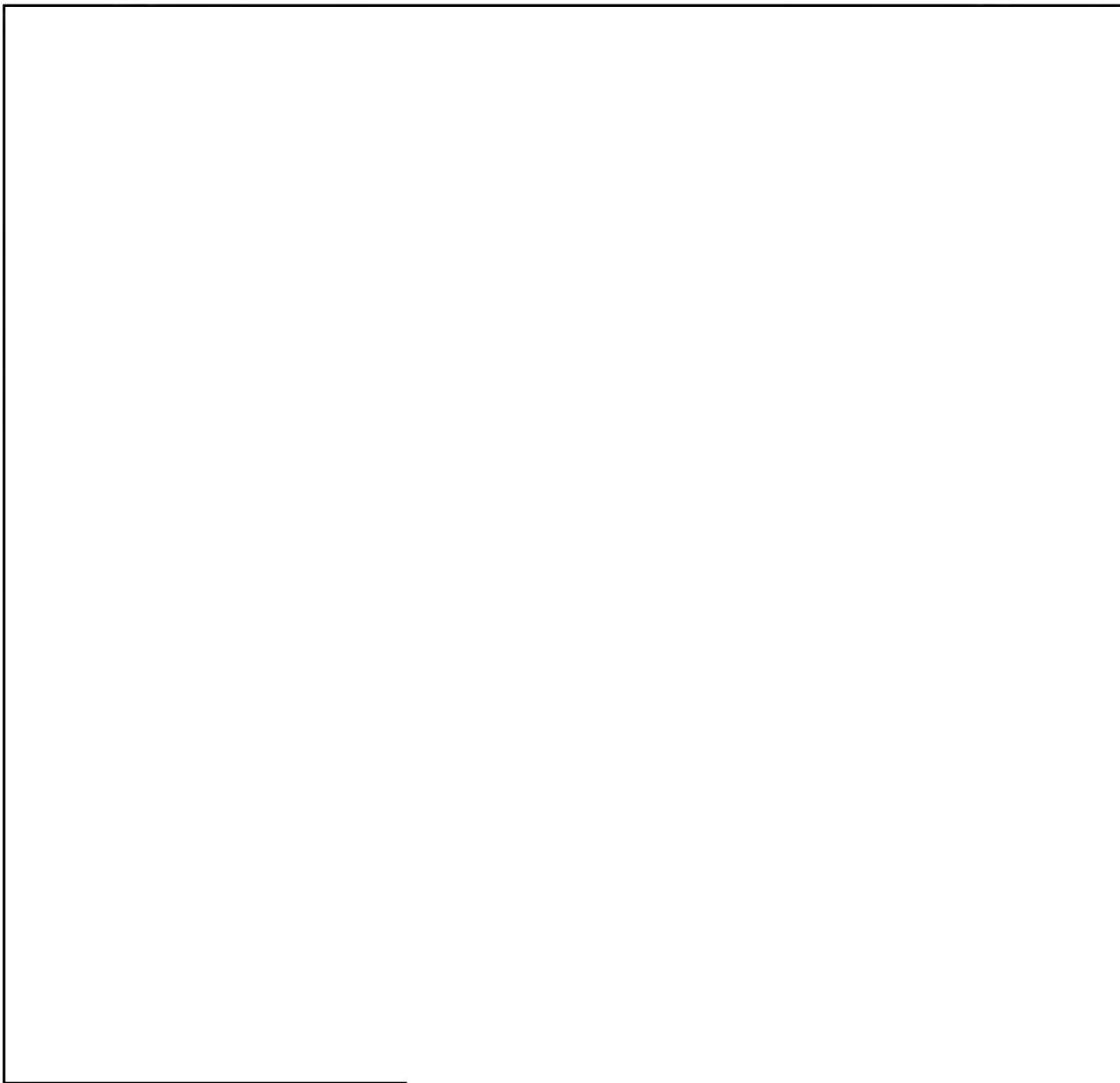
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Arab League mediators in Beirut are continuing to meet with leaders of both sides to advance their own

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peace plan. According to one account, the plan includes a requirement that Syria pull its troops back from both Sawfar and Jazzin, with Arab League forces taking their places.

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[redacted] This provision may already have disrupted the negotiations. A meeting between the League mediators and Christian leaders yesterday was described by the leftist radio as "not positive," and there were other indications that it ended on a sour note.

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[redacted] As of Thursday, ten of the necessary eleven Arab countries had officially notified the Arab League of their willingness to attend a summit meeting. Several countries who have publicly endorsed the move have delayed a formal response, including Saudi Arabia--which, along with Kuwait, issued the initial call for a summit--and Egypt.

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[redacted] The assistant secretary general of the Arab League is thinking of advancing to September 1, the council of ministers' meeting scheduled for September 4, but there has been no decision about a time or place for holding a summit.

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[redacted] //There were exchanges of fire along Beirut's confrontation lines yesterday, particularly in Ayn Rummanah and the southern suburbs near the airport.//

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[redacted] //The leftist press has reported that units of President Franjiyah's militia attacked several villages on the outskirts of Tripoli but were repulsed. [redacted]

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[redacted] Activity in the mountains east of Beirut yesterday was once again limited to artillery fire. [redacted]

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[redacted]

FRANCE: New Cabinet Named

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[redacted] The new French cabinet and sub-cabinet named yesterday generally reflects the political balance of its predecessor, although the Gaullists and centrists did lose some ground. Many members continue in the same or similar posts, and major policy changes are unlikely.

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[redacted] The appointment of Prime Minister Raymond Barre, a technocrat and the first non-Gaullist to hold the post under the Fifth Republic, tends to move the government a step closer to the center-left and to strengthen President Giscard's personal control. Giscard emphasized both these aims in public statements soon after naming Barre.

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[redacted] The Gaullists--who hold the largest block of the governing coalition's seats in the Assembly--were mollified somewhat by the retention of Defense Minister Bourges and especially by the appointment of Olivier Guichard as justice minister, generally considered the government's number-two post. Guichard will hold the rank of minister-of-state, which will entitle him to act for the Prime Minister in Barre's absence.

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[redacted] Guichard, a respected minister under president Pompidou, has been mentioned as the only serious rival to former prime minister Chirac for control of the Gaullists. Although he has recently been associated with the hard-liners, Guichard is considered a moderate and has good relations with members of other parties. His presence in the cabinet may make it more difficult for Chirac to criticize Giscard's reforms and his wooing of the left.

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[redacted] Guichard replaces centrist leader Jean Lecanuet, who was reportedly unhappy over the adverse publicity that a justice minister draws. Lecanuet, who retains his title of minister-of-state, will move to the Ministry for Planning and Regional Development. His down-grading is partly balanced by the naming of centrist Michel Durafour as deputy finance minister. The Prime Minister, an economic expert, as is the President, will hold the finance portfolio himself.

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[redacted] Giscard's Independent Republicans continue to be represented at the top by Interior Minister and Minister of State Michel Poniatowski, who is the President's close friend and collaborator, and by Industry Minister Michel d'Ornano.

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[redacted] Louis de Guiringaud, a career diplomat who previously headed the French UN delegation, was named foreign minister. This choice indicates that Giscard intends to continue to dominate foreign policy, but wants a tough negotiator to carry out his orders. De Guiringaud is reportedly an expert on third-world affairs, an area on which the President is said to believe France must concentrate now.

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[redacted] Giscard probably had to make some last-minute adjustments in the top posts--bringing in Guichard, for example--to compensate for the departure of Chirac, whom he probably hoped to retain until after the March 1977 municipal elections. Otherwise, the shifts seem to be in line with the shuffle expected at this time as Giscard weeds out incompetents, prepares to push his program through the Parliament, and tries to win support on the left.

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[redacted] Most interesting in the last regard is the appointment of Pierre Brousse as minister of commerce. Brousse was a member of the left wing of the Radical Party, which is in the Communist-Socialist opposition alliance. Early this year he joined the Radical Party rump, which participates in the governing coalition. His presence in the cabinet underscores the President's desire to draw less radical leftists into a broader governing coalition.

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IRELAND: State of Emergency

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[redacted] //The Irish government's unprecedented call this week for parliament to declare a state of emergency and suspend the constitution reflects the seriousness of the security situation in both parts of Ireland.//

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[redacted] //The government is asking for sweeping powers to detain, arrest, and prosecute suspected terrorists or those suspected of supporting terrorist activities. These measures are

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aimed primarily against the provisional wing of the Irish Republican Army. Initial reaction has been mixed and Prime Minister Cosgrave risks strong criticism over the proposals, although parliament, which meets in special session Tuesday, will probably endorse them eventually.//

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[redacted] //The government move was sparked by the assassination of the British ambassador to Ireland on July 21, but a jailbreak by suspected IRA prisoners, the bombing of six tourist hotels, presumably by an Ulster Protestant group, and other acts of violence probably contributed to the decision to take tough action. [redacted]

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[redacted] //The opposition Fianna Fail, Ireland's largest party, may be divided over the new proposals, but will find it difficult to reject them without appearing to side with the terrorists. If the Fianna Fail opposes the proposals, it could delay their enactment for several months despite the government's narrow majority in parliament.//

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[redacted] //Should the government encounter stiff opposition, Cosgrave might call early elections, hoping to get a stronger mandate for tightened security as well as for the economic austerity program he intends to introduce next year.//

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[redacted] //With an annual inflation rate of 28 percent for the first half of 1976 and unemployment over 10 percent, the government faces grave economic problems that may become worse in 1977. Control of strikes, work slowdowns, and boycotts, which have dogged the country's economic recovery, might be easier by the government during a state of emergency. [redacted]

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USSR-SYRIA-LEBANON: Call for Withdrawal

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[redacted] Statements carried by Soviet media have for the first time called for the withdrawal of Syrian forces from Lebanon. These pronouncements may be a step toward official government advocacy of Syrian withdrawal, which would be a significant change in Soviet policy.

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[redacted] A Moscow radio broadcast yesterday stated that "the withdrawal of Syrian troops from Lebanon would be very important for normalizing the situation." The Soviet Afro-Asian Peoples' Solidarity Committee on Thursday called for the withdrawal of Syrian forces. Speakers at a public rally staged in Tashkent on Thursday stressed that the "Soviet people" are calling for Syrian withdrawal.

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[redacted] None of these represents an official view, but they all reflect the Soviets' increasing concern about the declining fortunes of the Palestinians.

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[redacted] Moscow does not want to antagonize the Syrians any more than necessary, however, and for that reason may have chosen unofficial means to support publicly the Palestinian cause.

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SPAIN: Austerity Measures Announced

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[redacted] Spain has announced a package of mild economic austerity measures that will do little to ease inflation or the trade deficit. Inheritance and luxury taxes, except on autos and tobacco, will rise 10 percent. Gasoline prices will increase 7 percent to \$1.65 per gallon.

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[redacted] Madrid considers these measures deflationary. We feel, however, that they will not cut consumer spending enough to make much of a dent in Spain's 22-percent inflation rate. In fact the tax hike will not even fully offset spending increases announced in the last two months.

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[redacted] Prime Minister Suarez has avoided stronger measures because he heads a transition government. He has said that broad tax reform and firm wage guidelines will be imposed only after next summer when a government with a popular mandate will be in power. Instead, Suarez is seeking political peace and is trying to appease labor with expansionary policies and sizable wage increases.

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[redacted] The new measures will also have little impact on the balance of payments. Demand for gasoline is relatively immune to price changes while luxury goods account for only a small share of total imports.

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[redacted] The payments situation so far in 1976 is slightly improved compared with last year. However, the picture is likely to worsen in the second half, as drought hurts trade in agricultural products. For the year as a whole, we expect a current-account deficit of about \$3.5 billion, up from \$3.2 billion in 1975.

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[redacted] In a related move, Madrid has announced creation of a \$180-million fund to supply credits to developing countries for the purchase of Spanish goods in 1977. Madrid hopes that these credits will develop new markets.

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